2011-12
Annual Report

Agricorp®

An agency of the Government of Ontario
Un organisme du gouvernement de l'Ontario

Fifteen years, one focus:
Connecting producers with programs

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About us

Fifteen years ago, Agricorp became an agency of the Ontario government. The agency's focus is to deliver programs and services to help Ontario producers manage risk in their operations. Fifteen years later, this focus remains.

Agricorp delivers eight risk management programs and provides a number of services on behalf of provincial and federal governments and commodity groups. We are responsible to government and industry to deliver these programs effectively, and to the Agricorp customer, ensuring they receive the best customer experience and access to the most relevant risk management programs possible.

We work collaboratively with government and commodity groups to ensure the programs and services offered are relevant to producers. Additionally, we leverage our knowledge of the industry and our program delivery expertise to help design and deliver programs, and we do so in a fiscally responsible way while still maintaining our high level of customer service. In 2011–12, Agricorp strengthened working relationships with the four livestock commodity groups now covered under the new Risk Management Program (RMP). Just as we had with our working relationships prior to RMP, we used these collaborative relationships with these groups to help align the livestock plans to the specific needs of each sector.

Since our inception in 1997, our focus has been on delivering programs and services that help producers maintain a vibrant Ontario agricultural industry – an industry that contributes to the economic success of the province.

Vision

To be a versatile, customer-focused organization that works with partners to innovatively deliver programs and services that enhance the vitality of Ontario agriculture.

Mission

We connect producers with programs. We partner to deliver risk management programs that are responsive to the changing needs of agriculture.

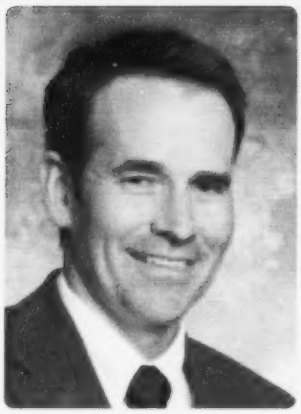
Delivery is our strength. We focus on efficient and effective delivery of programs with quality, integrity and transparency.

Customers are our priority. We want to deliver consistently professional services and programs that provide security today while helping our customers manage their risks in the future.

Our people are the foundation of our success. Collaboration and continuous improvement harness our many strengths for a common focus.

We are publicly accountable. Through the prudent expenditure of public funds, we deliver programs on behalf of our agricultural and government partners with consistency, openness and dependability.

Chair's message



In 1997, when Agricorp became an agency of the Ontario government, the price of corn was $2.74 per bushel, the programs delivered by Agricorp covered 53 different agricultural commodities, and there were approximately 24,000 producers served across the province. Today, corn averages over $5 per bushel, the programs delivered by Agricorp now protect virtually all non-supply managed commodities –more than 200 in total – and with the addition of more programs, the number of producers the agency serves has nearly doubled.

Over the past 15 years, Agricorp has gone from the agency that delivered one program to an agency with a structure similar to that of an established financial services organization that delivers a full range of risk management programs and services. The board, as an agent of the minister, is responsible for translating the ministry's direction to Agricorp. Performance measures and targets are established and monitored to ensure that Agricorp stays true to its vision and makes continuous improvements in the delivery of programs and services. To achieve this strategy, board members ensure the organization maintains its focus on the three key foundational pieces of our strategy: operational effectiveness, creating a holistic customer experience and leveraging the core strengths of Agricorp.

Our customers are a top priority at Agricorp. The results of our most recent customer satisfaction survey attests to this, as we were able to maintain our high standards of service, matching one of our highest scores to date, all while experiencing an increased workload and demanding schedule with the Risk Management Program (RMP). During this unprecedented year for Agricorp, the board was supportive of the organization's focus on key initiatives that helped Agricorp achieve success in day-to-day operations. The board was also encouraged by recently secured funding for investment in our technology infrastructure. This project will provide much-needed resources to enhance the organization's infrastructure internally by providing staff with more effective processing tools and information management systems, and externally by allowing us to build capabilities that will extend our service channel to customers via the web.

"Performance measures and targets are established and monitored to ensure that Agricorp stays true to its vision and makes continuous improvements in the delivery of programs and services."

The board also holds management accountable for ensuring that all the necessary tools and relationships are in place in order for staff to complete their work, whether it's the development and delivery of RMP or the daily delivery of all Agricorp programs. Stakeholder relationships provide Agricorp with the opportunity for an exchange of ideas and information that help inform everything from program guidelines to online tools for customers. Resources are appropriately shifted when necessary to ensure that deadlines for deliverables are met.

Agricorp faced a number of challenges over the past year. The board recognizes that many opportunities and challenges lie ahead in the coming year. In a climate of fiscal restraint, we must continue to find even greater efficiencies while still maintaining our high standards of customer service and adhering to legislative changes and governmental priorities. I am confident Agricorp is well-equipped to manage change and deliver its mandate effectively. Each year in our history is marked with improvements. On this fifteenth year anniversary I take the opportunity to recognize Agricorp employees and our government and industry partners for their continued efforts in connecting producers with programs.

"In a climate of fiscal restraint, we must continue to find even greater efficiencies while still maintaining our high standards of customer service and adhering to legislative changes and governmental priorities."

Larry Skinner
Chair

Agricorp governance

Agricorp is committed to maintaining the highest standards of conduct and corporate governance, refining and reviewing our governance practices to adapt and strengthen our policies and procedures as they evolve. Strong governance ensures agency objectives are realized, resources are well managed, and the interests of all stakeholders are protected and reflected in key decisions.

Legislative framework

Agricorp is a provincial crown corporation created under the *AgriCorp Act, 1996* and is classified as an operational enterprise agency. The act outlines Agricorp's purpose, powers, mandate and structure. The act authorizes Agricorp's board of directors to create bylaws detailing the board's operating policies.

As an operational enterprise agency, Agricorp has, by definition, the authority to sell goods or services to the public in a commercial manner. We follow leading governance practices and our daily activities are guided by the highest standards of conduct. We are responsible for the judicious use of public resources and for carrying out established mandates.

As an agency of government, Agricorp is publicly accountable and is overseen by provincial and federal auditors. We hold ourselves accountable by upholding best management principles, including ethical behaviour and prudent use of public funds.

Government directives

Agricorp must comply with provincial government directives that guide agencies in the delivery of services to the public. The Agency Establishment and Accountability Directive (AEAD) provides the accountability framework in which Agricorp operates. Specific directives fall under three broad categories. Business planning and financial management includes directives on delegation of authority, and travel, meal and hospitality. Accountability and governance includes directives on procurement and internal audit. Information and information technology management include directives on privacy and freedom of information. Finally, general directives include OPS service and visual identity.

Memorandum of understanding

A memorandum of understanding clarifies expectations and reporting requirements and defines the relationship between the ministry and Agricorp, including the roles and responsibilities of the minister, the deputy minister, the Chair of the board, the board of directors and the chief executive officer.

Board governance

Board structure and accountabilities

The board is an agent of the Crown. Board governance guidelines as well as the roles and responsibilities of the Chair, board members and board committees are documented in the board's bylaws. They include:

- Fiduciary and operational oversight
- Strategic planning
- Risk management and internal controls
- Legal and ethical conduct
- Director orientation, continuing education and evaluation
- Liaison with OMAFRA.

Board performance

The board regularly assesses its performance through an established process of self-evaluation facilitated by an external consultant. This work helps inform future board training and the contracting of external expertise for specific assignments. An annual strategic planning session allows the board the opportunity to review and identify improvements to governance and initiates the strategic planning process to ensure Agricorp remains relevant and responsible to industry needs and government priorities.

Finance and Audit Committee

The Finance and Audit Committee is appointed by the board of directors to oversee and advise on the financial management of Agricorp. This includes such activities as monitoring controllership and governance at Agricorp; approving Agricorp's risk assessment and management plan and audit plan; ensuring compliance with provincial internal audit directives; and reviewing the year-end financial statements.

The committee also oversees the employee pension fund and Agricorp's investment management activities, including periodic reviews of the investment policy statements.

In 2011–12, the committee focused on the following areas:

- Implementing the audit control framework by developing and recommending approval of the annual audit plan, meeting regularly with Ontario Internal Audit, receiving and reviewing audit reports, and reviewing how management responds to and acts on audit recommendations
- Reviewing and approving the annual financial attestation audit plan
- Overseeing and monitoring how management assessed and planned to respond to business risks, and identifying emerging risks
- Reviewing, approving, and overseeing Agricorp's investment policies for funds such as the Production Insurance fund and the pension plan fund
- Overseeing the financial reporting process. This includes understanding how generally accepted accounting principles are applied, changes to accounting principles such as the public sector accounting board changes, and assumptions used in financial statements, and recommending these changes to the board
- Reviewing and recommending approval to the board of the Agricorp audited financial statements and the pension plan financial statements.

Governance and Human Resources Committee

The Governance and Human Resources Committee provides oversight and advice on corporate governance and human resource matters at Agricorp. This includes activities such as recommending changes to Agricorp's mandate and role, reviewing and recommending a memorandum of understanding between the chair and the minister, and annually reviewing all corporate governance documents.

The committee also reviews and makes recommendations on Agricorp's compensation philosophy and guidelines, advises on criteria and potential candidates for appointment to the board, and monitors and recommends director training and development.

In 2011–12, the committee focused on the following areas:

- Overseeing and reviewing Agricorp's compensation policy and program, specifically ensuring compliance with compensation restraint legislation
- Identifying opportunities to improve the nomination and appointments process
- Monitoring and recommending improvements to the annual process of assessing board effectiveness, including committees and individual directors
- Recommending appropriate engagement strategies for key stakeholders with whom the board interacts.

Code of Ethics, Oaths of Office and Allegiance

Agricorp has a comprehensive code of ethics outlining professional conduct and establishing the standards of ethical behaviour and responsibility Agricorp expects from its employees and board members. All employees and board members sign an annual acknowledgement of this code. The Oaths of Office and Allegiance reinforces the serious obligations and responsibilities employees fulfill as members of the public service.

Board of directors

Agricorp's board members are leaders in agriculture, business and community. The combination of their experience in these areas, plus sound business judgement and integrity makes them invaluable assets to the organization and its overall direction.

Agricorp's board members are appointed by the lieutenant governor through an order-in-council on the recommendation of the minister of Agriculture, Food and Rural Affairs. Members serve terms of up to three years and may be reappointed.

As of March 31, 2012, Agricorp's board of directors consisted of the following members:

Larry Skinner – Chair (Perth County) **May 13, 2009 – May 12, 2012**

Larry is a full-time swine farmer who served on the board of Ontario Pork for eight years, three of those as chair. Before he began farming he worked as an agricultural lender for TD Bank. He is currently pursuing a master of divinity degree from the University of Toronto.

David Epp – Vice-Chair (Essex County) **February 7, 2007 – June 24, 2014**

A third-generation farmer and co-owner of Lycoland Farms Ltd., David served 14 years with the Ontario Processing Vegetable Growers, two of those as chair. He grows processing vegetables and cash crops.

William (Bill) Allison (Halton Region) · **April 30, 2008 – April 29, 2014**
Bill is a field crop producer and former director with the Ontario Federation of Agriculture, past director and chairperson of the Ontario Soybean Growers, and a former chair of AGCare.

Rosemary Davis (Northumberland County) · **May 6, 2009 – May 5, 2012**
An agrologist, Rosemary owns Sunhil Farms Ltd. and Sunhil Investments Ltd. and is a director on the board of the Northumberland Community Futures Development Corporation. She was also the first female chair of the Farm Credit Canada board of directors.

Robert Emerson (Bruce County) · **June 25, 2008 – June 24, 2014**
Robert has farmed since 1961. He is president and CEO of a 150-head purebred Charolais and cash crop operation, and has also served in municipal politics.

Rod Stork (Guelph) · **January 4, 2011 – January 3, 2014**
Rod has held many roles in his more than 30 years with the Ontario Ministry of Agriculture, Food and Rural Affairs, including chair of the Ontario Farm Products Marketing Commission and director of Economic Development. Following retirement, he served as part-time chair of the Agriculture, Food and Rural Affairs Appeal Tribunal. In 2008 and 2009, he facilitated the Grains and Oilseeds Working Group, which led to the formation of the Grain Farmers of Ontario.

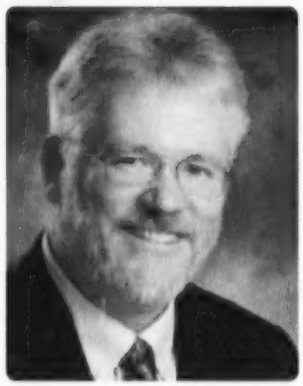
During the 2011-12 fiscal year, the following board members completed their post.

Gérald Beaudry (Nipissing County) · **June 14, 2005 – June 10, 2011**
Gérald has been a pedigree seed grower for the past 20 years. He has served as provincial director of the Ontario Soil and Crop Improvement Association and l'Union des cultivateurs franco-ontariens, and local president of the West Nipissing Soil and Crop Improvement Association.

Murray Porteous (Norfolk County) · **February 9, 2011 – July 31, 2011**
Murray is a partner in Lingwood Farms Ltd., an operation that grows tree fruit and asparagus on 850 acres in Norfolk County. He has significant involvement with a number of industry organizations, including previous roles as chair of the Ontario Fruit and Vegetable Growers' Association, the Ontario Agricultural Commodity Council and the Agricultural Research Institute of Ontario.

John Van Turnhout (Stormont County) · **June 14, 2005 – June 10, 2011**
John has been farming since 1965, first in dairy and later in cash crop and custom work. He has served as director of the St. Lawrence River Institute of Environmental Sciences, among other local bodies.

CEO's message



What a year 2011 turned out to be, full of excitement and challenges, and from what we've seen so far, 2012 is primed to deliver more of the same. From the development and delivery of the new Risk Management Program (RMP) in record time, to a year of unpredictable and extreme weather, it was an unprecedented year for us. But regardless of what comes along, I'm confident in the people, programs and processes we have in place to manage change and leverage our past experience to continuously improve.

When I reflect on the past year, there were a great number of projects and initiatives on the go, but a few stand out as having a significant impact on the organization. Perhaps the most obvious is the addition of the Risk Management Program to our portfolio of programs. Following an announcement from the minister in June, we soon found ourselves preparing for the launch of the new RMP, now offering permanent plans for the cattle, edible horticulture, grain and oilseed, hog, sheep and veal sectors. This was significant for Agricorp not just in the increased program options we can offer our customers, but it speaks highly of the confidence of the ministry in our ability to develop and deliver a new program under extremely tight timelines.

"Our ability to develop and deliver a program of significant size in a short time while still maintaining our customer service targets for all programs and services further strengthens our standing as the delivery agency of choice for risk management programs in Ontario."

With so many of our resources focused on the development and delivery of RMP, our challenge was to ensure our other programs and services continued to be delivered within established performance standards. I'm extremely pleased to say this happened. And the proof of this came straight from the customer – when asked to report on how we were performing as an agency in 2011, they responded with positive results. Overall, our customers report increased satisfaction over the last year with AgriStability, Production Insurance and RMP. Our ability to develop and deliver a program of significant size in a short time while still maintaining our customer service targets for all programs and services further strengthens our standing as the delivery agency of choice for risk management programs in Ontario.

As well, a number of other strategic initiatives were furthered in 2011. Specifically, there was significant advancement in our technology enhancement strategy. Funding was secured in order for us to proceed with this strategy, which to date has resulted in the implementation of a new customer relationship management (CRM) tool. This initiative means Agricorp will have one common customer database for all programs, and when work is completed on the CRM tool, Agricorp will be able to access a complete, holistic view of a customer, including their account information and program participation, which will further improve delivery efficiency. Additionally, we increased our offering of online capabilities with fillable forms available 24/7 on our website, in response to the increase in online usage. The feedback we gather from customers on their experience helps inform improvements to future online capabilities.

"The feedback we gather from customers on their experience helps inform improvements to future online capabilities."

With the busy and successful 2011–12 fiscal year now behind us, I can see that, in spite of some significant tasks in front of us for the 2012–13 year, Agricorp is in an excellent position to continue to look for efficiencies and ensure value for money, make progress on creating a holistic customer experience and continue to leverage our core strengths for the betterment of our programs and our customers. I encourage you to discover more about the people, programs and processes of Agricorp on the following pages of this report.

Randy Jackiw
Chief Executive Officer

Programs and services delivered by Agricorp

Agricorp is uniquely positioned to deliver programs and services that protect Ontario producers from many of the business and agricultural risks they face every day. As the deliverer of risk management programs in Ontario, Agricorp participates in the design and development of the programs and is responsible for delivering them to producers across the province. Agricorp's integrated workforce includes employees in both Guelph and Stratford and field staff located throughout the province. Agricorp maintains an information technology system to process customers' transactions and to manage agricultural information that informs future program enhancements. The three main programs Agricorp delivers are: AgriStability, Production Insurance and the Risk Management Program.

AgriStability

AgriStability protects producers from large declines in their farming income due to market conditions, production loss or increased costs of production. If a producer's net income falls below 85 per cent of their average historical income, AgriStability helps to cover the difference. The program is available to producers of all agricultural commodities. In 2011–12, AgriStability had more than 18,000 participants and delivered $64.8 million in program payments to those who incurred losses.

Production Insurance

Production Insurance protects Ontario producers from yield reductions and crop losses caused by adverse weather and other insured perils. Producers may choose from a variety of plans and coverage is available on a total-yield, dollar-value, or acreage-loss basis. Payments are triggered when an insured peril causes the harvested yield to fall below guaranteed production levels or predetermined thresholds. Production Insurance provides coverage for 100 commercially grown crops in Ontario. In 2011–12, almost 15,000 producers were enrolled in Production Insurance, representing 4.9 million acres and $2.87 billion in liability.

Risk Management Program

In 2011, Ontario's Risk Management Program (RMP) was launched as a permanent program and extended to the cattle, edible horticulture, grain and oilseed, hog, sheep and veal sectors. For most plans, RMP works like insurance with producer premiums that are based on a choice of coverage levels and options. Payments are triggered if the average market price for a commodity falls below the support level, calculated by OMAFRA. Support levels are based on the average cost to produce a given commodity, multiplied by the producer's chosen coverage level. For the edible horticulture plan, the producer deposits funds in a special account to receive a matching government contribution. Funds may be withdrawn as required and producers must indicate a reason for the withdrawal.

For the 2011 launch year, producer premiums and deposits were waived and Agricorp issued $94.4 million in RMP payments for all six plans.

Risk Management Program pilot

The Risk Management Program pilot (RMP pilot) for grain and oilseed producers was implemented as a three-year pilot in 2007 and extended for one year in 2010. The program was designed to offset financial losses caused by low commodity prices and rising production costs. Payments were triggered when prices for grain and oilseed crops fell below the annual support level. The support level was based on the cost of production, calculated each year by OMAFRA.

In 2011–12, Agricorp distributed $1.8 million to 1,400 producers under the RMP pilot.

Other programs and services

Agricorp also delivers programs and services that benefit producers indirectly, by ensuring the overall financial health and security of the agriculture industry and specific agricultural sectors.

Farm Business Registration

All farm businesses in Ontario that gross $7,000 or more annually are required by law to register their farm business with Agricorp. *The Farm Registration and Farm Organizations Funding Act, 1993,* was enacted to provide accredited farm organizations with a stable source of operating funding. Agricorp administers the program by collecting registration fees and approving program eligibility.

In addition to disbursing fees to the general farm organizations, Agricorp delivers farm business data to OMAFRA, which uses the information to develop sound public policy for Ontario producers. OMAFRA also notifies the Municipal Property Assessment Corporation about all registered farms each year. Producers who register their farm business may qualify for a lower property tax rate and may become a member in the general farm organization of their choice: Christian Farmers Federation of Ontario, National Farmers Union – Ontario or Ontario Federation of Agriculture. There were more than 45,000 Farm Business Registration applications in 2011.

Grain Financial Protection Program

This program protects the financial interests of Ontario producers of grain corn, soybeans, wheat or canola, who store their grain at licensed elevators or who sell their grain to licensed dealers.

When producers sell their grain, a portion of that sale is deposited into an insurance fund managed by the Grain Financial Protection Board. If a dealer defaults on payment of a sale or a grain elevator defaults on inventory, a producer or the owner of the grain can make a claim against the fund. Agricorp's role is to review and license dealers and elevators to ensure they are viable businesses. Agricorp performs an annual financial analysis of dealers prior to issuing a licence and conducts site inspections to ensure dealers, elevators and their operators are in compliance with the *Grains Act*. Inspections involve assessing grain inventory levels, gathering additional financial information and investigating non-compliance complaints.

For the 2011–12 fiscal year, Agricorp licensed 285 dealers and 365 elevators at locations across Ontario. Grain sales covered by the program were approximately $2.9 billion.

Plum Pox Eradication Program – Asset loss financial assistance

This program provides financial assistance to commercial fruit growers and nursery operations required to remove orchards or nursery stock affected by the plum pox virus, a serious plant disease infecting peaches, nectarines, plums, apricots and ornamental varieties of stone fruit. Plum pox does not kill trees, but can drastically reduce yields. Agricorp works with the Canadian Food Inspection Agency to administer applications, validate tree removals and pay out claims.

In 2011–12, 22 growers received compensation totaling more than $2.2 million through this program, which is now winding down.

Orchards and Vineyards Transition Program

The Canada-Ontario Orchards and Vineyards Transition Program was designed to help rejuvenate Ontario's orchards and vineyards sector by compensating grape, apple and tender fruit producers for part of the costs of removing fruit trees and grapevines. Agricorp has managed the program since its inception in 2008, by processing producer applications and validating acres registered against acres removed.

As a temporary program aimed at helping producers transition to different crops, Agricorp issued funds for the first three years only, from the 2008–09 fiscal year to 2010–11. Starting in 2011–12 and over the next four years, Agricorp will monitor the farms that received funds to ensure they comply with the requirement to keep the land in or available for agricultural use for five years.

In 2011, Agricorp audited 13 operations and found that all had complied with the requirement to keep the land in agriculture. In 2012, 27 growers will be audited.

Dairy Credit Program

Agricorp is under contract to the Dairy Farmers of Ontario to deliver the Dairy Credit Program. This program protects the financial interests of milk producers by assessing the credit worthiness of provincial processors. In 2011–12, Agricorp analyzed the quarterly and annual financial statements of Ontario's 51 dairy processing plants, which purchase $2 billion worth of milk annually from producers.

Ontario Vineyard Improvement Program

The Ontario Vineyard Improvement Program was launched by the provincial government in 2011 to help wine grape producers fund vineyard improvement projects, such as transitioning to new grape varieties, installing irrigation systems, bird-netting and purchasing new equipment. Agricorp supports OMAFRA with program delivery by providing field expertise in acreage verification and mapping services along with access to our web-based data management services. In 2011–12 this initiative helped more than 260 growers gain access to approximately $5.6 million in funding. Agricorp field staff also completed more than 47 requests for mapping services and verifications.

Data management services

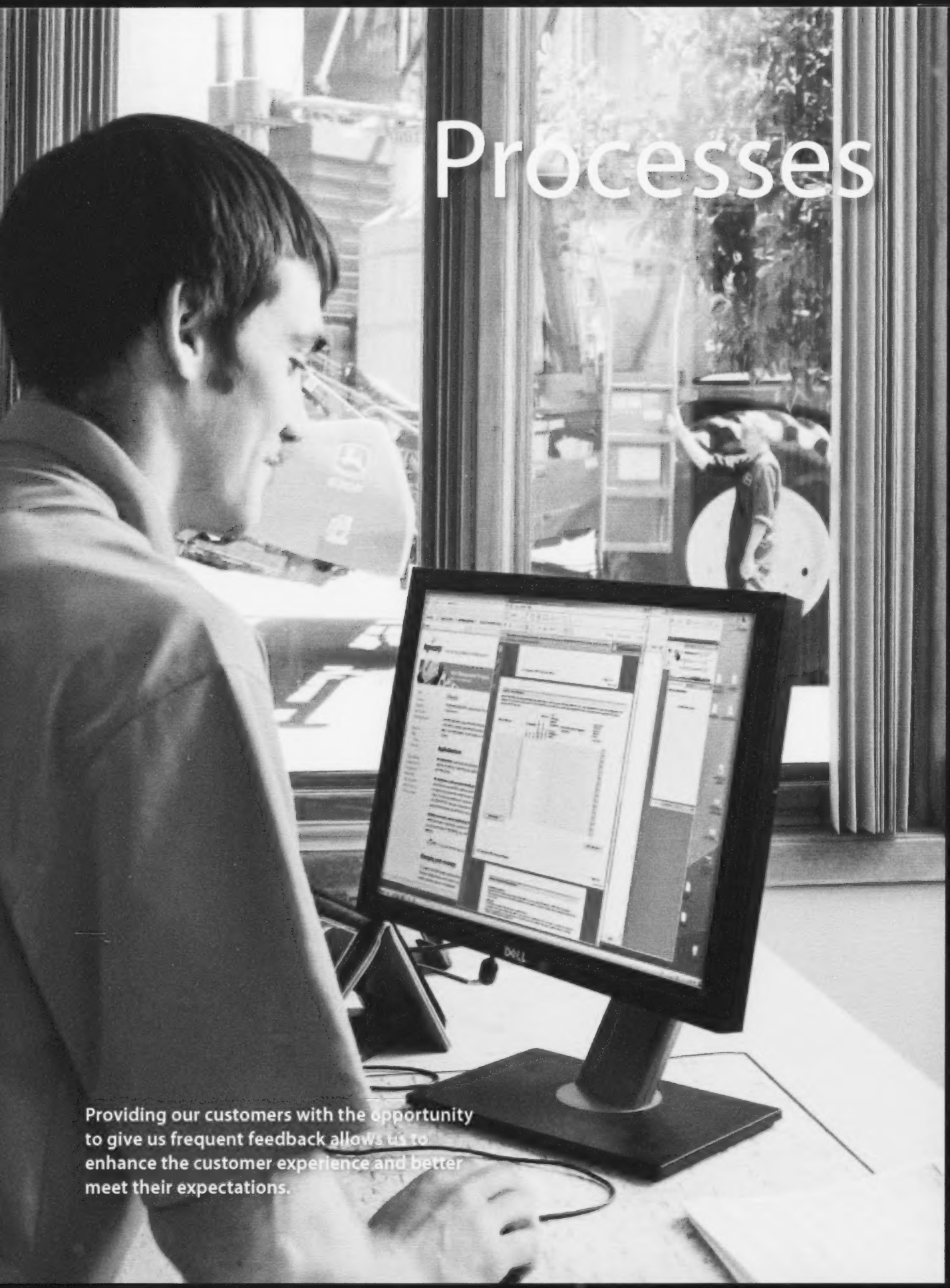
Agricorp works with the Grape Growers of Ontario and the Ontario Apple Growers to operate and enhance a web-based data management service for grapes and apples. Agricorp uses GPS technology to accurately measure and map growers' vineyards and orchards to capture agronomic information. This service allows growers, commodity groups and Agricorp to track information and establish trends in areas such as plant inventory, variety, age, yield and quality.

For Agricorp, this database provides detailed agronomic information essential for the effective and efficient delivery of programs such as Production Insurance, AgriStability and the Orchards and Vineyards Transition Program, as well as the new Ontario Vineyard Improvement Program. With the information gained, Agricorp, commodity groups and producers can use the aggregate data on food quality, safety, traceability and the environment to enhance risk management programs and to support marketing and other initiatives.

Support for Alternative Land Use Services

This not-for-profit program was initiated by Alternative Land Use Services through the Norfolk Federation of Agriculture. Agricorp provides third-party verification services to support this regional environmental stewardship program. The program compensates producers for removing environmentally sensitive land from agricultural production. Agricorp field staff ensures land owners comply with their Alternative Land Use Services agreements by using GPS technology to map and validate acreage and collect other pertinent agronomic information. In 2011–12, Agricorp validated 28 producer projects.

Processes



Providing our customers with the opportunity to give us frequent feedback allows us to enhance the customer experience and better meet their expectations.

Processes

Fifteen years of Agricorp

A lot can happen in 15 years. In a world that's become so reliant on technology, it's hard to imagine at one time we worked without it. Take, for example, the introduction of the use of Global Positioning System (GPS) technology to map apple crops covered under Production Insurance. In our early years, we asked producers to provide us with their apple acreage. Today, thanks to technological advances we can provide a much more comprehensive data collection and analysis. The use of GPS and mapping technology allows us to more accurately measure and record acreage for each individual orchard. The GPS technology combined with specialized software allows us to also gather other agronomic data such as variety type, tree spacing and tree age. This enables us to build a complete data set for each individual orchard, which in turn provides better underwriting information to match production insurance coverage with the producer's needs. This information can be accessed by the producer to enhance their farm management practices. The aggregate information is also used by commodity groups to better understand and manage their industry.

Agricorp's commitment to continuous improvement has allowed us to enhance the customer experience, change how we work as an organization, and increase our strong industry knowledge.

More programs, more experience

Fifteen years later, we not only deliver more programs to Ontario producers – from two to eight – but the programs themselves have become far more complex. Industry specialists are seeing an increased need for more comprehensive coverage. At one time, Production Insurance offered 56 different plans for 53 commodities. Production Insurance now has 75 plans, offering protection for 100 commodities.

The process for determining where new coverages are needed can be traced to changes in the industry. Once a need has been identified, we work with industry and government to either adapt an existing plan or collaborate to create and implement a new plan that will help producers manage risks in different areas.

In 1997, there was one Production Insurance plan for soybeans. Today, producers are growing an increased number of specialty soybean varieties for niche markets like tofu, natto and organic. Agricorp now has four specific plans to cover all soybean crops. The occurrence of problematic weather like damaging hail and periods of drought or excessive rain has revealed the need for more comprehensive protection against weather perils. In 2011, Agricorp introduced the forage excess rainfall option to complement the existing forage insufficient rainfall option under Production Insurance, offering forage growers more comprehensive protection.

More complexity, better processes

Agricorp's organizational structure and business processes have been established to manage the complexity of the industry in a responsible way and in a way that's responsive to the changing demands of producers. This structure ensures the work is streamlined and our customers are offered a predictable experience every time. The organization has undergone significant change since year one – grouping like-work together has resulted in the streamlining of workflow and provided the promotion of more in-depth expertise in staff.

As well, the structure provides the flexibility to expand or contract our resources as needed without negative impact to the agency. A number of standardized and repeatable processes have been defined and documented, with the goal of offering our customers consistent and predictable interactions with Agricorp.

Where Agricorp once relied on manual processes with more manpower in the fields and less technology to deliver a program, a shift in practices has led to increased and improved technology to support a more focused team of industry specialists who provide in-depth knowledge to our customers.

2011–12 Highlights

Agricorp's business processes standardized

The standardization of Agricorp's core business processes made excellent progress in 2011–12, with the completion and implementation of a detailed operating manual for underwriting files for the Grain Financial Protection Program (GFPP). Additionally we refined our existing desk-level procedures in claims, customer care, logistics, and underwriting. Documentation of these desk-level procedures helps us provide our customers with a predictable experience every time they connect with us, and ensures that we process customer files consistently.

Funding advances our technology strategy

Year one or year fifteen – no matter how much change we've seen in our time as an agency, the Agricorp customer and their need for risk management programs has remained. However, the tools we use to collect and analyze customer data is undergoing significant change. Agricorp has secured funding to make improvements to our technology systems. Plans are to develop a solid technology infrastructure that will provide a more holistic customer experience and enhance online service options to producers. Online capabilities are being planned to further simplify the application, renewal and reporting requirements for customers, and provide centralized access to customer information. The development of our technology systems will continue over the next few years to provide the customer with one access point to view all programs and transactions.

Implementation of a new customer relationship management tool

Agricorp successfully launched a new customer relationship management tool in 2012. The new tool provides Agricorp with a view of the customer across all programs in which they participate. Internally, the new tool consolidates customer information from multiple programs into a single view and allows us to search, update and enter customer information in one place. This tool also provides us with the foundation for future enhancements to online capabilities for customers.

Better refinements to financial reporting

Agricorp performed technology upgrades to financial reporting software in 2011 that now automates financial transactions, such as feeding customer transactions into the general ledger. This upgrade eliminated many of the manual processes that were previously in use.

This upgrade also established the necessary foundation for future work planned that will offer an online holistic view of a customers' financial history with Agricorp.

Increased business transactions online

During the 2011–12 year, Agricorp began offering producers the option of completing and submitting forms online, such as applications, renewals and sales reports for the majority of plans under the Risk Management Program. Customers were offered forms that were prepopulated with their information, thereby saving producers time and reducing the overall error rate. Validation checks ensured the customer had provided all required information prior to submission. The online availability meant customers could access and submit their forms to Agricorp 24/7. Agricorp will be able to leverage this work to build and enhance future forms using both customer feedback and advancements to our technology.

New phone technology implemented in the call centre

For many Agricorp customers, the telephone remains their preferred method of contact with us. The introduction of Voice over Internet Protocol (VoIP) phone technology to the call centre in 2011 allows us to better handle increases in call volumes with existing resources. This technology also makes call transfers to program specialists much easier and quicker, providing the customer with improved customer service.

2011–12 Performance targets and results

Target	Result
Provide quality processing of Production Insurance files with less than a two per cent payment error rate.	The error rate was 0.6 per cent for Production Insurance files.
Provide quality processing of AgriStability files by reducing the number of amendments by two per cent over the previous year.	The number of AgriStability file amendments for the 2009 program year was reduced by 30 per cent, with 489 amendments compared to 701 amendments for the 2008 program year.
Provide quality processing of RMP pilot extension files with a payment error rate of less than two per cent.	The RMP pilot extension error rate for 2010 post-harvest payments was zero per cent.
A comprehensive audit control framework is monitored annually by Agricorp's board of directors.	The annual audit control framework was developed, implemented and monitored.

People

When adverse conditions or emerging issues arise, we are able to connect with our customers one-on-one, giving us the opportunity to assess risk and apply our industry expertise to their situation.

People

Agricorp's people poised to manage Ontario's agricultural challenges

To say 2011 was a year with challenging weather is putting it mildly. Just ask producers in the Windsor and Essex County areas and they'll tell you the weather ranged from one extreme to the other: washout rainfalls in spring and fall that added up to 75 per cent more rain than normal, plus the hottest July on record since 1995. With conditions like that, planting and growing a successful crop becomes as challenging as the weather itself.

In a province as vast as Ontario, the agricultural challenges in Southwestern Ontario are very different from the ones in Northern or Eastern Ontario. Each region of the province has different needs. Agricorp has staff with specialized agronomic knowledge, including grape experts in the Niagara region and processing vegetable experts in southwestern Ontario. The Agricorp specialist directly works with commodity groups and producers to keep current on emerging issues and trends and make recommendations for plan adjustments where necessary. In the face of industry change or weather-related challenge, we have the knowledge and familiarity with Ontario's commodities that can make the difference for our customers.

Agricorp's people make the difference

Agricorp's people are crucial to the success of our programs. Across the organization, our people have a tremendous amount of hands-on experience in the agriculture industry, specializing training and education, and a commitment to ongoing learning – learning that includes employees receiving the certified crop advisor designation. Crop specialists bring their specific areas of expertise to crops like fruit, processing vegetables, fresh market vegetables and grains and oilseeds. This combination of skill sets ensures that Agricorp has the knowledge and understanding to offer our customers the most relevant risk management programs available.

The landscape of agriculture in Ontario is complex, even before you factor in the weather. In size alone, Production Insurance protects 4.9 million acres of farmland across the province. And where Production Insurance once protected 50 commodities from insured perils, that number has now doubled. As a result, the program and the depth of knowledge required by our industry specialists has grown exponentially over the years to ensure that producers receive the appropriate level of support from Agricorp.

Weather in Ontario is anything but predictable. But what makes the difference for customers enrolled in our risk management programs is not just the program coverage but the agricultural expertise of our employees.

So how does Agricorp help?

We work with producers and commodity groups to determine planting deadlines that are specific and reasonable for each particular region and commodity. In the case of 2011, we assembled a weather issues management team in collaboration with OMAFRA, Agriculture and Agri-Food Canada and industry. The team monitored crop development issues closely which involved everything from keeping an eye on the upcoming weather forecast to trudging through wet fields to see the conditions firsthand. As a result of their research, they recommended extensions to planting deadline where it was reasonable to expect the crop to mature despite the late planting.

Our one-on-one relationships with customers gives us the opportunity to have conversations about crop coverages applicable to their needs – whether it's comprehensive coverage that protects the whole farm, like AgriStability, or crop-specific coverage that can be found under Production Insurance. Our specialists are able to assess whether best farming practices were followed when a Production Insurance claim is filed. Claims are effectively assessed and a number of factors are considered to ensure that payments are rightly made to customers.

2011–12 Highlights

Agricorp's people instrumental in securing additional funding

Agricorp secured funding in 2011–12 from OMAFRA and Agriculture and Agri-Food Canada to implement improvements to our technology infrastructure, which will enable us to execute work that improves the customer service experience and strengthen our business processes. Agricorp people were instrumental in securing funding for the organization, from in-depth research and planning to the development of a compelling business case.

Customer satisfaction survey maintained high ratings

Agricorp continues to receive high ratings from our customers, as evidenced by the results of the most recent customer satisfaction survey. We were able to sustain our previous year's rating of 3.55 during an unprecedented increase in workload in 2011. This demonstrates the commitment of Agricorp's people to customer service, dedication to our business processes, and continuous improvement efforts.

Enhancing employee engagement

Highly engaged employees are more likely to stay with the organization and demonstrate commitment to the success of the organization. The results of the 2011 employee engagement survey, held in September 2011, showed that 82 per cent of employees took the survey, meaning the responses are representative of all employees. We achieved a five percentage point increase in highly engaged employees over the past two years. Additionally, we saw a four per cent increase in employees viewing Agricorp as having effective collaboration across divisions.

Continuous training helps us maintain customer confidence

Agricorp employees are knowledgeable in agriculture and business acumen and are a key contributor to the success of the organization. As such, we make an investment in staff to increase or further their knowledge, which translates to customer confidence in their interactions with us.

In 2011, a group of Agricorp employees received learning support for the Principles and Practice of Insurance course offered in community college. Additionally, 60 management and senior level employees enhanced their knowledge of the agricultural industry by attending the Advancing Agricultural Knowledge program, designed to inform attendees on agri-food sector topics like industry risks and trends, public policy and current industry issues.

Ontario Vineyard Improvement Program assisted by Agricorp

The Ontario Vineyard Improvement Program is a program delivered by OMAFRA. Because of Agricorp's existing relationship with grape growers and experience in field verification services, Agricorp provides OMAFRA with access to information in our data management system as well as field verification services. These services include field mapping, verification of improvements made by producers and inspection of new cultivar plantings. Collectively these efforts assist OMAFRA in the successful delivery of the program.

2011–12 Performance targets and results

Target	Result
Achieve a rating equal to the previous three-year average for customer satisfaction with quality of service as measured annually by a customer satisfaction survey.	In the 2012 customer satisfaction survey, Agricorp's overall performance rating was 3.55*, which is the same as the 2011 result and is higher than the previous three-year average of 3.43*.
Submit a three-year business plan, which includes a budget and a risk management plan, to the minister by March 1, 2012.	Agricorp's 2012–15 business plan was submitted to the minister on April 27, 2012 following a recommendation by OMAFRA staff to submit the plan at the end of April.
Provide sound and balanced operational performance and financial reports to OMAFRA on a quarterly basis.	Operational and financial reports were provided to OMAFRA on a monthly and quarterly basis.
Submit an annual report to the minister within 120 days of Agricorp's year-end.	Agricorp's 2010–11 annual report was submitted to the minister on July 28, 2012, 119 days after year-end.
Complete annual Chair and CEO attestation, as required, for compliance with applicable legislation, directives and policies.	Agricorp continues to refine its compliance oversight processes. Agricorp has not yet been required to complete any attestations.

* Customer satisfaction survey results are scores out of five.

Programs

Collaboration with stakeholders and reference groups throughout the design and development of programs is key to delivering risk management programs that are relevant to producers.

Programs

Agricorp chosen as the agency to deliver the Risk Management Program

On June 29, 2011, the minister of Agriculture, Food and Rural Affairs announced the Risk Management Program (RMP) as a permanent program for producers of cattle, edible horticulture, grains and oilseeds, hog, sheep and veal. On August 2 – just five weeks later – producers were receiving comprehensive handbooks of the program in the mail. For Agricorp, the program had to be designed and delivered in an unprecedented timeframe of just a few short months. This meant everything from consultation on the guidelines and design of the program to the development of producer materials and preparation for delivery by the end of summer, with cheques ready to hit producers' mailboxes by November. Agricorp was prepared for this whirlwind of activity. As an agency specializing in delivery, all the foundational pieces were in place and ready to be built upon to ensure our success – commitment to stakeholder relationships, knowledgeable people, strong infrastructure and sound business processes.

To be an effective program delivery agency, Agricorp must work closely with stakeholders. Close working relationships are crucial to the alignment of objectives and a finished product that's relevant to the industry. From day one, RMP was a highly collaborative project, bringing members of Agricorp, the ministry and commodity groups to the table. We were able to leverage these relationships throughout to help develop program guidelines, validate program information targeted to producers and provide insight into program delivery.

An effective program delivery agency has knowledgeable and adaptable staff. The addition of RMP to our workload required a great deal of leveraging of our existing resources, and also required the urgent recruitment of more people to accommodate the launch of the program under the compressed timelines. Many existing employees transitioned into new roles while the orientation of new staff happened at an accelerated pace to get everyone contributing to the launch of RMP or to the delivery of our other risk management programs as quickly as possible.

Effective agencies have strong infrastructures in place. A great deal of effort is taking place behind the scenes at Agricorp to create a holistic customer experience, and our infrastructure is critical to making it happen. This includes not just the organizational structure but the processes and technology that support the delivery of all programs. Each division of the agency was established to provide a specialized area of expertise and were all in place and prepared to focus on the delivery of RMP. On the technology side, RMP leveraged our existing systems and acted as a catalyst for the creation of a new system that processes RMP for livestock information.

Another mark of a good agency is that repeatable, standardized business processes are in place that streamline and avoid duplication of work. The introduction of the new program provided us with the opportunity to leverage our existing processes and adapt and improve upon them where appropriate. Desk-level processes were created for logistics, claims, underwriting and customer care to provide a consistent level of service and streamline the process of collecting missing application information, reporting, program payments and more. Customer materials were created effectively following processes in place for consistency of program information – again, a process not new to Agricorp, but the addition of RMP did provide us with the opportunity for refinements that will benefit the customer and the agency now and in the long-term.

Development of customer materials for RMP

The introduction of RMP in 2011 required customer information material to help producers understand the program and what they needed to do to enrol and participate. An integrated communications strategy for 2011 was developed and included materials such as handbooks for grains and oilseeds, livestock and edible horticulture, print and online forms for applications and reporting, plan brochures, web content, tradeshow displays, news releases, information session presentations, and advertisements in several targeted publications. One producer who provided positive feedback on the handbook and application form said, "It was very easy to follow. I just kept the booklet open beside me to make sure all steps were completed properly."

Simply put, the effective and timely design and delivery of RMP did not happen by accident. It was by leveraging our resources and capabilities that we were able to get the program off the ground in record time. RMP provided us with the opportunity to improve our stakeholder relationships, expand our knowledge, strengthen our infrastructure and improve our business processes – all of which will serve us well as we continue to deliver risk management programs to Ontario producers.

2011–12 Highlights

Targeted program information developed to improve AgriStability awareness

AgriStability is a complex program. Its calculations and requirements need to be carefully explained so our customers can make informed risk management decisions. In an effort to clarify program specifics, an AgriStability awareness campaign was developed and tested with producers, whose feedback helped refine our information material. The campaign material consisted of three information sheets designed to answer producers' most common questions about the program: how it works, what is a structural change, and how AgriStability works for livestock.

Design, development and delivery of RMP in record time

The Risk Management Program (RMP) helps producers manage risks beyond their control, like fluctuating costs and market prices and is available for the cattle, edible horticulture, grain and oilseed, hog, sheep and veal sectors. Delivery timelines for the six RMP plans were very tight for the first year of the program in 2011. The official program announcement was made by the minister on June 29. Five weeks later, the detailed design of the program was complete and grain and oilseed producers were being mailed their detailed application packages. Fifteen weeks after the announcement, payments were being issued to eligible producers. The program which was designed and developed at the request of the commodity groups was developed in record time to ensure that eligible producers received their benefit in 2011.

Forage excess rainfall option

In 2011, Agricorp started offering an excess rainfall option under the Production Insurance program. This coverage offers additional protection to producers from excess rainfall during harvest and complements the existing lack of rainfall option. The introduction of this coverage was timely for producers, as they faced a very wet harvest in May and June of 2011.

2011–12 Performance targets and results

Target	Result
Process 95 per cent of 2010 AgriStability files by December 31, 2011.	Agricorp processed 95 per cent of the 2010 AgriStability files by December 22, 2011.
Process Production Insurance claims within 20 business days of receipt.	The average processing time for Production Insurance claims in 2011–12 was 16.9 days.
Process 95 per cent of 2010 RMP pilot extension payments within 60 days of receipt of all required information.	Agricorp processed 99 per cent of the 2010 RMP pilot extension post-harvest payments within 34 days of receiving all required information.
Process 95 per cent of 2011 RMP payments within 60 days of receipt of all required information.	Agricorp processed 99 per cent of the 2011 RMP: Grains and Oilseeds payments within 51 days of receiving all required information. **Corrective action:** Agricorp is developing methodology to track and report against this target for livestock and edible horticulture payments.
Achieve a rating of 3.50* or higher for effectiveness of Production Insurance as measured annually by a customer satisfaction survey.**	In the 2012 customer satisfaction survey, Production Insurance received a rating of 4.16*.
Achieve a rating of 3.50* or higher for effectiveness of AgriStability as measured annually by a customer satisfaction survey.**	In the 2012 customer satisfaction survey, AgriStability received a rating of 3.48*. **Corrective action:** Agricorp will continue to provide input to OMAFRA on program policy and design and to implement targeted product information to enable producers to make informed risk management decisions.

* Customer satisfaction survey results are scores out of five.

** The effectiveness of programs is a function of program policy and design and of program delivery. Agricorp is responsible for program delivery. OMAFRA is accountable for program policy and design.

Financial highlights

AgriStability program

In the 2011–12 fiscal year, more than 2,400 participants received program benefits of $64.8 million. Both the number of participants who received cheques and the total amount of benefits paid were lower than in the previous year. This reflects the improved farming returns seen by many producers in 2010.

Production Insurance

The 2011 crop season saw extremely wet planting conditions leading to above average claims for producers who needed to reseed crops, and a higher than normal number of claims for producers who were unable to seed all their acres. Due to unfavourable planting conditions, planting extensions were provided for some crops in certain areas, including canola, sugar beets and soybeans. Wet conditions also affected the fall-seeded crop from 2010 with lower yields at harvest time in 2011. The 2011 fall harvest was later than usual, resulting in a reduction in the fall-seeded acreage planted. This will have an impact on the harvest of these crops for the 2012 crop year.

Total claims for Production Insurance increased in 2011 to $82.7 million, up from the prior year claims of $14.8 million. Premium income of $127.1 million decreased by 4.1 per cent due to lower premium rates, partially as a result of a very strong Production Insurance fund balance which increased from $610 million to $674 million.

Risk Management Program pilot

The Risk Management Program pilot (RMP pilot) was a pilot program for grain and oilseed producers that ran from 2007 to 2010. In 2011–12, Agricorp distributed over 1,400 cheques for $1.8 million to eligible producers enrolled in the pilot. RMP pilot payments are counted as an advance on the provincial portion of the AgriStability payment for the corresponding program year. If the RMP pilot payment is greater than the provincial portion of the AgriStability benefit, the difference is retained by the producer.

Risk Management Program

In 2011, the Risk Management Program (RMP) was launched as a permanent program and extended to include the cattle, edible horticulture, grain and oilseed, hog, sheep and veal sectors. In 2011–12, Agricorp distributed $94.4 million to more than 10,000 eligible producers enrolled in all sectors under RMP. As with the pilot program, RMP payments are counted as an advance on the provincial portion of the AgriStability payment for the corresponding program year. If the RMP payment is greater than the provincial portion of the AgriStability benefit, the difference is retained by the producer.

Other government programs

Agricorp paid out $3.7 million in a variety of smaller programs and programs that are winding down. Generally these are ad hoc or specifically targeted programs that are limited in duration by time or funds.

General fund

Agricorp receives funding on a cost recovery basis from both Ontario and Canada for administering the various programs under contract. Agricorp's administration costs were $45 million, essentially unchanged from the prior year.

Notes

Description of the programs and payments are provided in more detail in Note 4 of the Financial Statements.

Management's responsibility for financial reporting

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for claims, that are necessarily based on management's best estimates and have been made using careful judgment.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The board of directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by the office of the auditor general on behalf of the Legislature and the board of directors. The Auditor's Report outlines the scope of his examination and expresses his opinion on the financial statements of the company.

Randy Jackiw
Chief Executive Officer

Erich Beifuss
Chief Financial Officer

June 21, 2012

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To Agricorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the accompanying financial statements of Agricorp, which comprise the balance sheet as at March 31, 2012, and the statements of operations and fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Agricorp as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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Toronto, Ontario
June 21, 2012

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Balance sheet

As at March 31, 2012, with comparative figures for 2011

($ thousands)	General fund	Production Insurance	2012	2011
Assets				
Cash	105	388	493	1,080
Investments (note 6)	3,553	688,380	691,933	630,825
Accounts receivable (note 5)	7,885	3,690	11,575	12,562
Funds under administration (note 4)	54,355	–	54,355	57,241
Prepaid expenses	782	–	782	629
Accrued pension asset (note 12)	4,304	–	4,304	4,401
Capital assets (note 7)	3,215	–	3,215	1,099
Total assets	**74,199**	**692,458**	**766,657**	**707,837**
Liabilities and Fund Balances				
Accounts payable and accrued liabilities	5,072	851	5,923	4,711
Unearned premiums and revenue (note 10)	6,863	17,317	24,180	27,767
Provision for claims	–	416	416	345
Funds under administration (note 4)	54,355	–	54,355	57,241
Total liabilities	66,290	18,584	84,874	90,064
Fund balances	7,909	673,874	681,783	617,773
Total liabilities and fund balances	**74,199**	**692,458**	**766,657**	**707,837**

Commitments and contingencies (note 13)

See accompanying notes to financial statements.

Approved on Behalf of the Board

Larry Skinner
Chair

Randy Jackiw
Chief Executive Officer

Statement of operations and fund balances

Year ended March 31, 2012, with comparative figures for 2011

($ thousands)	General fund	Production Insurance	2012	2011
Revenue				
Operating funding – Ontario and Canada (note 9)	44,112	–	44,112	38,676
Premiums from producers	–	50,317	50,317	52,446
Funding – Ontario and Canada	–	76,829	76,829	80,175
Sales, consulting and other services	916	–	916	7,633
Investment income	47	24,099	24,146	18,300
Total revenue	**45,075**	**151,245**	**196,320**	**197,230**
Expenses				
Claims	–	82,667	82,667	14,844
Reinsurance (note 11)	–	15,172	15,172	18,230
Administration	45,003	–	45,003	46,234
Bad debts (recovery)	–	(32)	(32)	3
Total expenses	**45,003**	**97,807**	**142,810**	**79,311**
Excess of revenue over expenses	72	53,438	53,510	117,919
Change in fair value of assets classified as available-for-sale	–	10,500	10,500	676
Fund balances, beginning of year	7,837	609,936	617,773	499,178
Fund balances, end of year	**7,909**	**673,874**	**681,783**	**617,773**

See accompanying notes to financial statements.

Statement of cash flows

Year ended March 31, 2012, with comparative figures for 2011

($ thousands)	General fund	Production Insurance	2012	2011
Cash provided by operating activities				
Excess of revenue over expenses	72	53,438	53,510	117,919
Items not requiring an outlay of cash				
Amortization of capital assets	1,608	–	1,608	1,173
	1,680	53,438	55,118	119,092
Changes in non-cash working capital				
Accounts receivable	(2,150)	3,137	987	(1,737)
Prepaid expenses	(153)	–	(153)	390
Accrued pension asset	97	–	97	(1,104)
Accounts payable and accrued liabilities	577	635	1,212	(1,613)
Unearned premiums and revenue	2,375	(5,962)	(3,587)	6,765
Provision for claims	–	71	71	(14,618)
	746	(2,119)	(1,373)	(11,917)
Financing activities				
(Increase) decrease in investments	1,215	(51,823)	(50,608)	(108,037)
Investing activities				
Purchase of capital assets	(3,724)	–	(3,724)	(605)
Decrease in cash	(83)	(504)	(587)	(1,467)
Cash, beginning of year	188	892	1,080	2,547
Cash, end of year	**105**	**388**	**493**	**1,080**

See accompanying notes to financial statements.

Notes to the financial statements

Year ended March 31, 2012

1. Nature of operations

The *AgriCorp Act, 1996* established AgriCorp (the Corporation) as a corporation without share capital. It was established as an Ontario Crown agency on January 1, 1997. Its mandate is to deliver agricultural safety net plans and services to the farm, food, and rural sectors of Ontario. These initiatives can be segregated into two: Non entitlement Program – Production Insurance (PI) and Entitlement Programs which are administered by the Corporation on behalf of the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA).

Non-entitlement program

Production Insurance was established in 1966 and currently operates pursuant to the *Crop Insurance Act (Ontario), 1996*. For all major crops grown in Ontario, Production Insurance provides insured growers with financial protection against yield reduction caused by natural perils.

Entitlement programs

AgriStability and Ontario Risk Management Program (RMP) are current examples of Entitlement Programs. These programs, as detailed under note 4, are administered by the Corporation on behalf of OMAFRA, the federal government, or other organizations. The rules regarding payments to clients are determined by the programs and in formal agreements with the Corporation. The funds paid out under these programs flow from either Ontario or Canada or both through the Corporation to qualified applicants, and are held in segregated accounts in funds under administration.

Other

The Corporation is responsible for the delivery of the Farm Business Registration Program (FBR) established under the Farm Registration and *Farm Organizations Funding Act, 1993*. Under an agreement with OMAFRA, the Corporation's primary obligations include registration of farm businesses, collection of registration fees, and forwarding the fees net of an administrative charge to Ontario's accredited General Farm Organizations (GFO).

2. Significant accounting policies

(a) Basis of accounting

The financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). These financial statements are, in management's opinion, properly prepared within reasonable limits of materiality, statutory requirements and the framework of the accounting policies summarized below.

The Corporation uses fund accounting whereby the activities in each program are accounted for in separate funds. The General Fund is used to account for all administrative costs and revenues, as well as for all unsegregated activities.

(b) Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	5 years

(c) Pension plan

The Corporation sponsors a contributory defined benefit registered pension plan for all full time employees. The Corporation contributes to the plan based on employee contributions and a factor determined by the plan's independent actuary. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation, and retirement ages of employees. Pension plan assets are valued using current fair values and any actuarial adjustments are amortized on a straight line basis over the average remaining service life of the employee group.

(d) Revenue recognition

Premium revenues are recognized in the year in which the related crops are harvested.

(e) Financial instruments

The Corporation's financial instruments consist of cash, short term investments, long term investments, accounts receivable, accounts payable and accrued liabilities, and a provision for claims. Under GAAP, financial instruments are classified into one of five categories: available-for-sale, held-for-trading, held-to-maturity, loans and receivables, and other financial instruments. The Corporation classifies its financial assets and liabilities as follows:

- The Corporation has classified cash and short term investments as held-for-trading which are measured at fair value. Held-for-trading financial instruments are carried at fair value with changes in the fair value reported in earnings.
- Long term investments in bonds and debentures are classified either as available-fo-sale or held-for-trading and their fair value is determined using quoted market bid prices. Held-for-trading bonds and debentures are recorded at fair value with realized gains and losses on sale and changes in the fair value of these bonds recorded in investment income in the statement of operations. Available-for-sale bonds and debentures are recorded at fair value with changes in the fair value of these bonds recorded in unrealized gains and losses booked as a charge to net assets. Realized gains and losses on sale are reclassified from net assets and recorded in investment income in the statement of operations.
- Accounts receivable are classified as loans and receivables, which are measured at amortized cost.
- Accounts payable and accrued liabilities and provision for claims are classified as other financial liabilities, which are measured at amortized cost.
- The Corporation has elected to use trade date accounting for regular-way purchases and sales of financial assets.

(f) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of accounts receivable, capital assets, accounts payable and accrued liabilities, unearned premiums and revenue, provision for claims and the employee future benefit asset. Actual results could differ from those estimates.

3. Future accounting policy changes

The Public Sector Accounting Board (PSAB) has issued new accounting standards for government not-for-profit organizations. Agricorp would be classified as a Government NPO (GNPO) as its accounts are consolidated with those of the Province of Ontario and meets the criteria to be a GNPO. PSAB will allow GNPOs to choose either the Public Sector Accounting (PSA) Handbook or the PSA Handbook supplemented by the inclusion of the 4200 series of standards from the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting into the PSA Handbook as Sections PS 4200 to PS 4270. These standards are effective for fiscal years commencing on or after January 1, 2012. The Corporation plans to select PSA plus the 4200 series of the PSA Handbook and will first report under these standards in its financial statements for the year ending March 31, 2013. The Corporation is currently in the process of evaluating the potential impact of adopting these changes.

4. Funds under administration

The Corporation provides administration services on a cost recovery basis to process and disburse payments to producers for agricultural programs. These programs are generally administered on behalf of OMAFRA for producers in Ontario, and cover joint federal/provincial programs, federal-only programs, and Ontario-only programs. Individual program delivery agreements are in place for each program. Program payments are calculated according to the formal program requirements and the delivery agreements. Funding is provided by the federal and/or provincial governments and all funds are segregated in accounts under administration by program until such time as payments are processed for the producers. Funds for these programs are held in accounts with Canadian banks, bankers' acceptances or bank discount notes and all are highly liquid. Due to the nature of these programs that the Corporation administers, it does not recognize program revenue or expenses or receivables or payables for them.

(a) AgriStability

AgriStability was established under the Growing Forward Framework Agreement as a continuation of the Canadian Agricultural Income Stabilization (CAIS) program. AgriStability is in effect for 2007 and subsequent years. This program provides agricultural producers with some financial protection against declines in farm margin. For AgriStability and CAIS, participants must enroll in the program and pay administration and enrollment fees based on the selected level of coverage and a reference margin based on the individual participant's production margin for specified prior years. A program benefit is paid to the participant based on the participant's selected level of coverage and when the participant's current production margin falls below the set reference margin. AgriStability provides coverage for margin declines greater than 15%. The AgriInvest program, which is administered by the Federal government, provides assistance to farmers for the first 15% of margin declines. The Federal and Ontario governments share the program costs on the basis of 60% and 40% respectively.

(b) Risk Management Program pilot (RMP pilot)

RMP pilot came into effect August 16, 2007 and expires on March 31, 2013. The program provides Ontario grain and oilseed producers with commodity specific price support based on cost of production for the 2007, 2008, 2009 and 2010 crop years. The program is fully funded by Ontario and is an advance against Ontario's share of AgriStability program costs and reduces its share of AgriStability payments.

(c) Risk Management Program (RMP)

RMP was launched as a permanent program effective April, 2011 and extended to additional sectors. RMP helps producers offset losses caused by low commodity prices and rising production costs. As with the RMP pilot, RMP is fully funded by Ontario and is an advance against Ontario's share of AgriStability program costs and reduces its share of AgriStability payments. RMP includes the following plans:

RMP: Grains and Oilseeds (RMP-GO)

The program provides Ontario grain and oilseed producers with commodity specific price support based on cost of production. To participate, producers must pay premiums, provide a premises identification number and participate in both AgriStability and Production Insurance, if available for their crop. For the 2011 program year, these requirements (including the payment of premiums) were waived.

RMP plans for livestock (RMP-LS)

The RMP plans for livestock includes individual plans for cattle, hogs, sheep and veal. The program provides producers with commodity specific price support based on cost of production. To participate, producers must pay premiums, provide a premises identification number and participate in AgriStability. For the 2011 program year, the requirements to pay premiums and participate in AgriStability were waived.

SDRM: Edible Horticulture (RMP-SDRM)

Under the terms of the program, edible horticulture producers deposit into the program account a percentage of their eligible net sales and a matching contribution is also made into the account by the Ontario government. Funds can be withdrawn to cover risks to the farm business, such as a reduction in income or other farm-related expenses or losses. To participate, producers must provide a premises identification number and participate in AgriStability. For the 2011 program year, these requirements were waived and producers were not required to make a deposit into the program account in order to receive the benefit.

(d) Self-Directed Risk Management Program (SDRM)

The current SDRM program delivery agreement between the Corporation and OMAFRA came into effect April 1, 2007 and expires on March 31, 2013. Under the terms of the program, producers deposit into the program account a percentage of their eligible net sales and a matching contribution is also made into the account by the Federal and/or Ontario governments. Claims are paid out of the program account to participants, but the total payment amount for a program year shall not exceed the total available funds in the account.

(e) General Top-Up Program (GTUP)

GTUP was established under the Canada-Ontario Implementation Agreement and expired on March 31, 2008. Under the terms of the agreement, producers that participate in CAIS and received a payment under that program are eligible for a top-up payment based on a fixed percentage of their 2003 and 2004 CAIS government benefits.

(f) Plum Pox Program (PPV)

The program delivery agreement between OMAFRA and the Corporation came into effect April 1, 2008 and expired on December 31, 2011. The Plum Pox Program was established pursuant to the Canada-Ontario Agreement on Responding to the Presence of the Plum Pox Virus in Ontario and came into effect on June 29, 2001. The Program was a multi-year plan to carry out plum pox detection surveys and other activities to help contain or eradicate the plum pox virus in Ontario. In addition, the program assisted commercial tender fruit growers with the asset loss incurred when trees were removed as part of the plum pox control measures. Canada and Ontario agreed to share overall program costs based on funds available for agricultural assistance at each level of government.

(g) Farm Business Registration (FBR)

In accordance with the Farm Registration and Organizations Funding Act, 1993, farmers in Ontario whose gross farm income is equal to or greater than $7,000 are required to register their farm business. In return for the registration fee, farmers pay a reduced property tax rate on agricultural land (25% versus 100%), and are granted membership in the GFO of their choice. The Corporation collects the fee from the producer and remits it, less an administrative charge, to the GFO of the producer's choice.

The following summarizes the transactions related to the funds under administration for the year ended March 31, 2012:

($ thousands)	Opening balance 20112	Federal funding	Provincial funding	Other	Payments	Closing balance 2012
AgriStability	50,881	35,852	17,889	5,334	(64,750)	45,206
RMP pilot	1,213	-	1,401	(808)	(1,785)	21
RMP-GO	-	-	671	22	(673)	20
RMP-LS	-	-	76,600	1,734	(73,028)	5,306
RMP-SDRM	-	-	19,773	1,990	(20,669)	1,094
SDRM	2,266	-	-	(650)	(1,447)	169
GTUP	2,202	-	-	113	(66)	2,249
PPV	64	1,310	873	(86)	(2,158)	3
Other	615	-	-	(269)	(59)	287
Total	**57,241**	**37,162**	**117,207**	**7,380**	**(164,635)**	**54,355**

5. Accounts receivable

Accounts receivable are comprised primarily of amounts due from the Federal and Ontario governments and amounts due from producers.

($ thousands)	2012	2011
Government funding – Canada	5,908	5,848
Government funding – Ontario	3,519	4,205
Other	2,148	2,509
Total	**11,575**	**12,562**

6. Investments

Legislation restricts the Corporation's investments to highly liquid, high-grade instruments such as Federal and Provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

(a) Portfolio profile

Investments, at carrying amount and fair value, are as follows:

($ thousands)	2012	2011
Short-term	116,504	123,447
Long-term		
Government of Canada	25,149	53,632
Province of Ontario	180,417	133,554
Other provincial governments	231,888	174,714
Provincial utilities	45,783	37,707
Financial institutions	92,192	107,771
Total investments	**691,933**	**630,825**

(b) Maturity profile of the investment portfolio

($ thousands)	2012	2011
<1 Year	116,504	123,447
1-3 Years	258,003	241,973
3-5 Years	174,430	167,640
>5 Years	142,996	97,765
Total	**691,933**	**630,825**

7. Capital assets

($ thousands)	Cost	Accumulated amortization	2012 Net Book value	2011 Net Book value
Furniture and fixtures	1,198	1,073	125	64
Computer hardware	7,338	6,546	792	447
Computer software	9,879	7,654	2,225	393
Leasehold improvements	1,909	1,836	73	195
Total	**20,324**	**17,109**	**3,215**	**1,099**

8. Financial instruments

(a) Fair value of financial assets and financial liabilities

The carrying value of cash, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

The fair value of investments is based on quoted market values.

(b) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Corporation's cash flows, financial position and excess of revenue over expenses.

Fluctuations in interest rates have a direct impact on the market valuation of the Corporation's fixed income securities portfolio. The average return on investments is 4.16%. Fluctuations in interest rates could have a significant impact on the fair value of the bond portfolio. Although bonds are generally held to maturity, realized gains or losses could result if actual Production Insurance claim levels differ significantly from expected claims, and liquidation of long-term investments is required to meet obligations.

(c) Credit risk

Credit risk is the risk that other parties fail to perform as contracted. The Corporation is exposed to credit risk principally through balances receivable from the Federal and Provincial governments and producers as well as through its investment securities. Credit risk arises from the Corporation's positions in term deposits, corporate debt securities, government bonds and from the possibility that the entities to which the Corporation advances funds may experience difficulty and be unable to fulfill their obligations. Legislation restricts the types of investments the Corporation may hold to high grade Canadian debt instruments and investments approved by the Ministry of Finance which significantly reduces credit risk.

9. Operating funding – Ontario and Canada

The governments of Canada and Ontario have agreed to share the costs of administering Production Insurance, AgriStability, GTUP and PPV (asset loss) at the rate of 60% and 40% respectively. The cost to administer SDRM is funded by the Federal Government and/or Ontario, depending on the program year. The costs to administer the RMP Pilot, RMP-GO, RMP-LS and RMP-SDRM programs are funded by Ontario. The costs to administer PPV (detection surveys) are funded by the Federal Government.

10. Unearned premiums and revenue

Unearned premiums represent premiums of $17.3 million (2011 – $23.3 million) paid in advance to PI for crops that have yet to be harvested. These crops are not harvested until after the balance sheet date, giving rise to the deferral of the premiums received. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets of $3.2 million (2011 – $1.1 million) and other unearned amounts of $3.7 million (2011 – $3.4 million).

11. Reinsurance agreement

The Corporation has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume Production Insurance losses based on negotiated thresholds. The Corporation purchased reinsurance to mitigate losses for 2011 Production Insurance claims in excess of $373 million to a maximum of $545 million. As actual claims for the 2011 crop year were less than the minimum threshold, no reinsurance payments were received by the Corporation.

The Corporation signed an agreement in December, 2011 whereby it would purchase reinsurance through a number of carriers for the 2012 crop year. The amount being purchased under this agreement is to mitigate losses between 13% and 19% of insured liability, subject to a maximum of $3.67 billion (2011 – $2.9 billion).

12. Pension plan

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The changes for the defined benefit plan of the Corporation during the year are as follows:

($ thousands)	2012	2011
Accrued benefit obligation		
Balance, beginning of year	24,581	18,318
Current service cost	2,611	1,780
Interest cost	1,710	1,385
Employee contributions	1,449	1,383
Benefits paid	(726)	(592)
Actuarial loss	10,807	2,307
Balance, end of year	**40,432**	**24,581**
Plan assets		
Fair value, beginning of year	24,204	18,090
Actual return on plan assets	370	2,242
Employer contributions	2,686	3,081
Employee contributions	1,449	1,383
Benefits paid	(726)	(592)
Fair value, end of year	**27,983**	**24,204**
Funded status		
Plan deficit	(12,449)	(377)
Unamortized actuarial loss	16,805	4,843
Unamortized transitional obligation	(52)	(65)
Accrued benefit asset	**4,304**	**4,401**

The significant actuarial assumptions adopted in measuring the accrued benefit obligations of the Corporation are as follows:

	2012 %	2011 %
Discount rate to determine accrued benefit obligation	4.5	6.0
Discount rate to determine benefit cost	6.0	6.5
Expected long-term rate of return on plan assets	6.5	6.5
Rate of compensation increase	4.0	4.0

The net benefit plan expense is as follows:

($ thousands)		
Current services cost	2,611	1,780
Interest cost	1,710	1,385
Expected return on plan assets	(1,684)	(1,293)
Amortization of transitional obligation	(13)	(13)
Amortization of unrecognized loss	159	118
Net benefit plan expense	**2,783**	**1,977**

The percentage of total fair value of plan assets by category is as follows:

Security type	% of plan	% of plan
Canadian equities	33.4	36.7
US equities	17.5	16.8
International equities	12.9	11.4
Bonds	27.0	32.6
Real estate	4.0	–
Cash and cash equivalents	5.2	2.5
Total fund	**100.0**	**100.0**

An external investment advisor manages the investments held by the pension plan.

The most recent pension plan actuarial valuation was as of January 1, 2010. As of January 1, 2010, the plan was underfunded by approximately $2.2 million on a going concern basis and had a solvency and wind-up surplus of $0.3 million. The next actuarial valuation is expected to be completed as of January 1, 2013.

13. Commitments and contingencies

(i) Lease commitments

The Corporation leases its office premises. The minimum aggregate rentals for the unexpired terms of these leases are:

($ thousands)	
2013	2,815
2014	1,852
2015	1,748
2016	1,732
	8,147

(ii) Contingencies

During the normal course of business, certain claims or program payments may be denied by the Corporation. As a result, various claims or proceedings have been, or may be, initiated against the Corporation. The disposition of the matters that are pending or asserted is not expected by management to have a material effect on the financial position of the Corporation or on its results of operations.

14. Related party transactions

The Corporation has entered into several agreements to acquire services from OMAFRA. The cost for administrative, legal and audit services amounted to $180,000 (2011 – $226,000). In addition, the Corporation rents its head office location from the Ontario Realty Corporation for a total cost for the year of $1.6 million (2011 – $1.3 million). The Corporation earned revenue of $55.5 million (2011 – $50.4 million) from OMAFRA as its share of Production Insurance premium and operating funding.

15. Capital management

The main objective of the Corporation when managing its capital is to safeguard its ability to continue as a going concern, so that it can continue to deliver agricultural safety net plans and services to the farm, food and rural sectors of Ontario.

The Corporation is limited to administering the Production Insurance, business risk management programs (Entitlement Programs), and such other programs as are approved. The Corporation ensures that it has sufficient capital and working capital through appropriate delivery agreements with its funding partners.

16. Board remuneration and salary disclosure

Total remuneration to members of the Board of Directors was $31,227 during calendar 2011 (2010 – $37,240).

The Public Sector Salary Disclosure Act, 1996, requires the Corporation to disclose employees paid an annual salary in excess of $100,000. The complete disclosure for the Corporation is included in the "Public Sector Salary Disclosure 2012: Crown Agencies" listing on the Government of Ontario website:

http://www.fin.gov.on.ca/en/publications/salarydisclosure/2012/crown12a.html

For the 2011 calendar year, the amounts paid to the five employees with the highest annual salaries are:

Name	Position	Salary	Taxable benefits
Beifuss, Erich	Chief Financial Officer	$162,912	$ 602
Jackiw, Randy	Chief Executive Officer	184,359	10,119
LaRose, Doug	Chief Information Officer	185,037	682
Meneray, Debra	Senior Director, Program Delivery	145,523	549
Sayer, Greg	Senior Counsel and Director Legal Services	157,817	595

The taxable benefit for the Chief Executive Officer is comprised mainly of a taxable benefit for a vehicle, provided under the terms of his employment contract, and is an "allowable special consideration" under the government directives.

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